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MEMORANDUM



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TO: Docket Control

FROM: Ernest G. Johnson
Director
Utilities Division

2008 FEB -1 P 3:06

AZ CORP COMMISSION
DOCKET CONTROL

DATE: February 1, 2008

RE: REVISED DRAFT PROPOSED NET METERING RULES FOR THE PROPOSED
RULEMAKING ON NET METERING RULES (DOCKET NO. RE-00000A-07-
0608)

Attached is Staff's revised draft proposed Net Metering Rules. Staff has incorporated many of the comments previously received. Staff encourages all interested parties to provide written comments on this revised draft of proposed Net Metering Rules.

Please file original and 13 copies of your comments with the Commission's Docket Control Center, 1200 West Washington Street, Phoenix, Arizona 85007, on or before February 12, 2008. Please reference Docket No. RE-00000A-07-0608 on all comments.

If parties are not already included on the service list for this docket, and wish to be added, they should send notice of their interest including a mailing address and an e-mail address to Docket Control. Staff welcomes and appreciates the input of all interested parties in the development of these rules.

EGJ:JJP:lhv\JFW

Originator: Jeffrey Pasquinelli

Arizona Corporation Commission
DOCKETED
FEB -1 2008

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ATTACHMENT
Draft Proposed Net Metering Rules

ARTICLE 23.

NET METERING

R14-2-2301.	Applicability
R14-2-2302.	Definitions
R14-2-2303.	Requirements and Eligibility
R14-2-2304.	Metering
R14-2-2305.	New or Additional Charges
R14-2-2306.	Billing for Net Metering
R14-2-2307.	Net Metering Tariff
R14-2-2308.	Filing and Reporting Requirements

R14-2-2301. Applicability

These Rules govern the treatment of Electric Utility Customers in Arizona who ~~own and~~ operate a Net Metering Facility and wish to interconnect with the Electric Utility which serves them and engage in Net Metering operation as defined below. These Rules apply to all Electric Utilities, as defined in these Rules.

R14-2-2302. Definitions

For purposes of this Article, the following definitions apply unless the context requires otherwise:

- A. "Avoided Costs" means the incremental costs to an Electric Utility for electric energy or capacity or both which, but for the purchase from the net metering facility, such utility would generate itself or purchase from another source.
- B. "Biomass" means ~~any organic matter that is available on a renewable or recurring basis, including dedicated energy crops and trees, agricultural food and feed crop residues, wood and wood wastes and residues, aquatic plants, grasses, residues, fibers, animal wastes, municipal wastes, or other waste materials.~~ raw or processed plant-derived organic matter available on a renewable basis, including dedicated energy crops and trees; agricultural food and feed crops; agricultural crop wastes and residues; wood wastes and residues, including landscape waste, right-of-way tree trimmings, or small diameter forest thinnings that are 12 inch in diameter or less; dead and downed forest products; aquatic plants; animal wastes; other vegetative waste materials; non-hazardous plant matter waste material that is segregated from other waste; forest-related resources such as harvesting and mill residue, pre-commercial thinnings, slash, and brush; miscellaneous waste such as waste pellets, crates, and dunnage; or recycled paper fibers that are no longer suitable for recycled paper production, but not including painted, treated, or pressurized wood, wood contaminated with plastics or metals, tires, or recyclable post-consumer waste paper.
- C. "Biogas" means ~~combustible gas produced by the natural decay of Biomass~~ gases that are derived from plant-derived organic matter, agricultural food and feed matter, wood wastes, aquatic plants, animal wastes, vegetative wastes, or wastewater treatment facilities using anaerobic digestion or from municipal solid waste through a digester process, an oxidation process, or other gasification process.
- D. "~~CHP~~ or "Combined Heat and Power" or "~~CHP~~" (also known as cogeneration) means a system that generates electricity and useful thermal energy in a single, integrated system. CHP captures the heat that would otherwise be rejected in traditional generation of electricity.
- E. "Commission" means the Arizona Corporation Commission.
- F. "Electric Utility" or "Utility" means an electric distribution company that constructs, operates, and maintains the electrical distribution system for the receipt and/or delivery of power.
- G. "Electric Utility Customer" or "Customer" means an end-use retail eCustomer served under a Utility's rate schedule.
- H. "Fuel Cell" means a device that converts the chemical energy of a fuel directly into electricity without intermediate combustion or thermal cycles. For purposes of these Net Metering rules, the source of the chemical reaction must be derived from Renewable Resources.
- I. "Geothermal" means heat from within the earth's surface.
- J. "Hydroelectric" means the kinetic energy derived from moving water.
- K. "Net Metering" means service to an Electric Utility Customer under which electric energy generated by that Electric Utility Customer from ~~an on-site~~ Net Metering Facility and delivered to the Utility's local distribution facilities may be used to offset electric energy provided by the Electric Utility to the Electric Utility Customer during the applicable billing period.
- L. "Net Metering Customer" means any Arizona eCustomer who chooses to take electric service in the manner described in the definition of Net Metering above, and under the Net Metering tariff, as described in R14-2-2307.
- M. "Net Metering Facility" means a facility for the production of electricity that:
 - 1. ~~Is owned and operated by a Net Metering Customer; and is located on the Net Metering Customer's premises.~~

2. Is intended primarily to ~~offset~~provide part or all of the Net Metering Customer's requirements for electricity;
3. Uses Renewable Resources, a Fuel Cell, or CHP to generate electricity;
4. Has a generating capacity less than or equal to 125% of the Net Metering Customer's expected peak demand~~total connected load~~; and
5. Can ~~establish~~operate in parallel and in phase ~~Parallel Operation~~ with an Electric Utility's existing transmission and distribution facilities~~system~~.

~~N.~~"Parallel Operation" means the operation of a customer's on-site generation that is electrically interconnected to a bus common with the Electric Utility's distribution system.

~~O.N.~~ "Renewable Resources" means natural resources that can be replenished by natural processes. Renewable Resources include Biogas, Biomass, Geothermal, Hydroelectric, Solar, or Wind.

~~PO.~~ "Solar" means solar radiation of the Earth's Sun that produces electricity from a device or system designed for that purpose.

~~QP.~~ "Wind" means energy derived from wind movement across the Earth's surface that produces electricity from a device or system designed for that purpose..

R14-2-2303. Requirements and Eligibility

- A. An Electric Utility shall interconnect with any retail Customer who ~~owns and operates~~ a Net Metering Facility in the Electric Utility's service territory.
- B. Facilities with a generating capability greater than 125% of the customer's on-site expected peak demand ~~connected load~~ shall require a special contract between the Utility and the Customer.

R14-2-2304. Metering

If the meter that is currently installed on the Net Metering Facility is incapable of registering and accumulating the kilowatt-hours ("kWh") of electricity flowing in both directions in each billing period, a bi-directional meter with that capability shall be installed by the Electric Utility to record the kWh of electricity in both directions.

~~A.If the meter that is currently installed on the net metering facility is incapable of registering and recording the flow of electricity in both directions, a bi directional meter shall be installed by the Electric Utility to monitor the flow of electricity in both directions.~~

~~B.Metering equipment shall be installed to accurately measure and record both the kilowatt hours (kWh) supplied by the Electric Utility to the Net Metering Customer and also to accurately measure and record the kWh generated by the Net Metering Customer that are delivered back to the Electric Utility over the applicable Billing Period.~~

~~C.The Utility's Net Metering tariff may include a one-time charge or an increased Customer charge to cover the meter costs.~~

~~D.Accuracy requirements for a meter configuration operating in both forward and reverse registration modes shall be as defined in R14-2-209.E.~~

~~E.A test to determine compliance with this accuracy requirement shall be made by the Electric Utility either before or at the time the Net Metering Facility is placed in operation in accordance with these Rules.~~

~~F.A customer charge for the costs associated with the test may be included in the Net Metering tariff. The customer charge for testing may be assessed when the customer's meter is first tested, and the same fee may be charged by the Electric Utility each time the customer requests an additional test unless the test demonstrates that the meter does not comply with the accuracy requirements. If the meter is found to not comply with the accuracy requirements, then the Net Metering Customer shall not be charged for the testing. To the extent that a faulty meter has resulted in a Net Metering Customer receiving insufficient credits or payments, pursuant to R14-2-2306, the Electric Utility shall make the appropriate credits or payments in the next billing cycle. If the faulty meter has resulted in the Net Metering Customer receiving excess credits or payments, pursuant to R14-2-2306, then the Electric Utility shall reduce any future credits or payments by the excess amount in the next billing cycle.~~

R14-2-2305. New or Additional Charges

- A. Any proposed charge that would increase a Net Metering Customer's costs beyond those of other customers in the same rate class shall be filed by the Electric Utility with the Commission for approval. The filings shall be supported with cost of service studies and benefit/cost analyses.
- ~~B. Following notice and opportunity for public comment, the Commission may authorize an Electric Utility to assess a Net Metering Customer greater fees or charges of any type, if the Electric Utility's direct costs Net Metering outweigh the environmental, public policy, and system benefits of allocating the costs among the Electric Utility's entire customer base.~~
- C.B. Net Metering costs shall be assessed on a nondiscriminatory basis with respect to other customers with similar load characteristics.

R14-2-2306. Billing for Net Metering

- A. On a monthly basis, the Net Metering Customer shall be billed or credited based upon the rates applicable under the eCustomer's currently effective standard rate schedule and any appropriate rider schedules.
- B. The billing period for net metering will be the same as the billing period under the eCustomer's applicable standard rate schedule.
- C. With Net Metering, only the kWh units of a customer's bill are affected by the energy flow to and from the Net Metering Facility; energy credits described in R14-2-2306(E); i.e., not kW demand charges or customer charges.
- D. If the kWh supplied by the Electric Utility exceed the kWh that are generated by the Net Metering Facility and delivered back to the Electric Utility during the Billing Period, the Customer shall be billed for the net kWh supplied by the Electric Utility in accordance with the rates and charges under the eCustomer's standard rate schedule.
- E. If the electricity generated by the Net Metering Customer exceeds the electricity supplied by the Electric Utility during in the Billing Period, the Customer shall be credited during the next Billing Period for the excess kWh generated. That is, the excess kWh during the Billing Period will be used to reduce the kWh supplied and billed by the Electric Utility during the following Billing Period.
- F. Customers taking service under time-of-use rates who are to receive credit in a subsequent Billing Period for excess kWh generated shall receive such credit during the next Billing Period during the on- or off-peak periods corresponding to the on- or off-peak periods in which the kWh were generated by the Customer.
- G. Once each calendar year the Electric Utility shall issue a check or billing credit to the Net Metering Customer for the balance of any credit due in excess of amounts owed by the Ceustomer to the Electric Utility. The payment for any remaining credits shall be at the Electric Utility's Avoided Cost. That Avoided Cost shall be clearly identified in the Electric Utility's Net Metering tariff.
- ~~H. An Electric Utility will not be required to purchase electric energy or capacity from the Net Metering Customer during any period which, due to operational circumstances, purchases from the Customer would result in costs greater than those which the Utility would incur if it did not make the purchases, but instead generated or purchased from a different source an equivalent amount of electricity. An Electric Utility seeking to invoke this rule must notify each affected Net Metering Customer within a reasonable amount of time to allow the customer to cease the delivery of energy or capacity to the Electric Utility. A claim by an Electric Utility that such a period has occurred or will occur is subject to verification by the Commission.~~

R14-2-2307. Net Metering Tariff

- A. Each Electric Utility shall file, for approval by the Commission, a Net Metering tariff within 90 days from the effective date of these rules, including financial information and supporting data sufficient to allow the Commission to determine the Electric Utility's fair value for the purposes of evaluating any specific proposed charges. The Commission shall issue a decision on these filings within 120 days.

- B. ~~The Net Metering tariff shall be filed with and maintained by the Commission. The tariff shall specify standard rates for annual purchases of remaining credits from a Net aMetering fFacilities and may specify capacity limits. If capacity limits are included in the Tariff, either for individual projects or in total, such limits must be fully justified using appropriate loads and resources data.~~
- C. Electric utilities may include seasonally differentiated avoided cost rates for purchases from Net Metering Customers, to the extent that Avoided Costs vary by season.

R14-2-2308. Filing and Reporting Requirements

- A. Prior to May 1 of each year, each Electric Utility shall file a report listing all existing Net Metering Facilities and the inverter power rating or generator rating as of the end of the previous calendar year.
- B. Also included in this report shall be, for each existing Net Metering Facility, the monthly peak demand delivered to and from the Electric Utility and the monthly amount of kWh energy delivered to and from the uUtility.

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E-01773A
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E-01851A
Columbus Electric Cooperative, Inc.
PO Box 631
Deming, NM 88031

E-01703A
Duncan Valley Electric Cooperative, Inc.
PO Box 440
Duncan, AZ 85534

E-01891A
Garkane Energy Cooperative, Inc.
PO Box 465
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E-01049A
Morenci Water and Electric Company
PO Box 68
Morenci, AZ 85540

E-01345A
Arizona Public Service Company
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E-02044A
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E-01749A
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E-01750A
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